

ABSTRACT

[00124] Systems, methods, and computer program products are disclosed for establishing and using credit limits between counterparties and for managing risk in the trading of financial interests. The invention provides a trading party with the ability to

5 control the amount of future financial exposure that the trading party will incur with any counterparty in one or more future time periods in trades by the trading party during a trading session. A trading party may establish and use credit limits with potential counterparties in the trading of financial interests having a future financial exposure such as foreign exchange ("FX") forwards contracts, forwards contracts in commodities,

10 e.g., precious metals, energy, etc., stock options, futures contracts, bonds, loan contracts, money market certificates, other fixed income securities, etc. Credit limits may be used to permit proposed trades to be completed or not depending upon available credit. Where there is insufficient credit, the trade may be blocked or otherwise prevented from progressing towards completion. For example, upon

15 attempted acceptance of an unfiltered proposed trade, credit is checked for one or both parties. If there is sufficient credit, the trade is permitted to progress towards completion. If there is insufficient credit and If trading up to available credit is permitted, a partial trade for an amount up to the credit limit may be allowed. If a financial exposure associated with the proposed trade is greater than an available portion of a

20 credit limit associated with the trading party, the potential counterparty, and a time period associated with the proposed trade, the proposed trade is not processed towards completion, or the price, size, or quantity of the proposed trade is capped. The future time periods (tenors for FX forwards contracts) may be selected by the trading parties, e.g., either or both a start date and an end date of such time periods may be selected.

25 During a trading session, the credit remaining of a set credit limit between the trading party and the respective counterparty is changed according to trades executed between the trading party and the counterparty. After the end of the trading session, the remaining credit is automatically reset to the set credit limit for each counterparty and future time period.